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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058(B)  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3777  
FAX (317) 232-8779

**TO:** All Political Subdivisions

**FROM:** Brian E. Bailey, Commissioner *BEB*

**RE:** Department Treatment of Transfers from Debt Service Fund

**DATE:** June 20, 2011

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This memo explains certain steps the Department of Local Government Finance ("Department") will take to prevent a debt service levy from being raised and used for non-debt service purposes.

Indiana law limits the purposes for which a debt service levy may be raised. Indiana Code does not provide for raising a levy for the purpose of transferring it to the Rainy Day Fund.

To ensure that the Debt Service Fund is not inflated to transfer monies to the Rainy Day Fund, the Department will not recognize any transfer out of the Debt Service Fund for the purpose of 2012 budget review after June 30, 2011 with the exception of Common School and Unreimbursed Textbooks for schools. In calculating the cash balance in the fund to determine what is needed for future debt service levies, the Department will treat any post-June 30, 2011 transfers as if the transfers had not occurred.

Additionally, the Department will use the current year's certified debt service levies (instead of levies from the county auditor's abstract) to calculate December estimated property taxes for the current year (Line 7 of Form 4B). The county auditor's abstract reflects the circuit breaker reduction for the unit. Thus, using the auditor's abstract would result in an improper replacement of circuit breaker taxpayer credits.

If you have any questions, please contact General Counsel Micah Vincent at 317.233.6770 or [mvincent@dlgf.in.gov](mailto:mvincent@dlgf.in.gov).